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## Spain

### Trade Policy Monitoring

#### Spain—Mandatory Renewable Fuel-Use Targets?

**2006**

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**Report Highlights:** The Government of Spain will consider mandatory targets for renewable fuels use as currently voluntary renewable fuels-use targets appear to be insufficient to overcome economic obstacles for renewable fuels in the current marketplace.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Madrid [SP1]  
[SP]

Spain's Energy Minister recently announced that he has directed his ministry to study the possibility, during calendar year 2007, of the making compulsory the currently voluntary targets for renewable fuels use in Spain. The ministry will decide the feasibility of requiring all fuel-oil producers/distributors to supply a renewable fuels mixture to all automobile-fueling stations in Spain. The petroleum-renewable fuel mixture will likely consist initially of two percent renewable fuels produced from grain and oilseeds crops and increasing gradually to about six percent by 2010. This announcement apparently results from a lack of enthusiasm and/or economic incentive from the petroleum industry to meet the voluntary targets, and possibly also from calls from the Spanish Producers of Renewable Energy Association to make the targets mandatory.

If the energy minister moves such an initiative forward, after his ministry somehow crafts a legally sustainable decree mandating the distribution of renewable fuels needed for blending in order to meet the targets, it will likely mean significantly increased demand for renewable diesel oil. About seventy percent of all new vehicles sold in Spain are diesel powered, which tracks closely with overall gasoline versus diesel use.

An increase in the demand for renewable diesel, of the magnitude targeted during the next five years, could mean increased demand for imported soybeans. While Spain's renewable diesel producers, including soybean crushers, currently produce only a fraction of the diesel needed to meet current targets, there are reported indications that within the 2006-2010 planning window, Spanish renewable diesel producers are likely to invest substantially in new production facilities, especially if the voluntary targets are converted to mandatory targets. Such an increase in renewable diesel production capacity (some reports indicate that 2.2 million tons, petroleum equivalent, will be needed by 2010) would likely require augmented soybean imports, because soybeans are one of the best, most readily available feedstock for renewable, fuel-grade diesel, and because the meal derived from soybean crushing is needed by the Spanish compound feed industry.

Spain's renewable fuels decree (1700/2003) sets the technical standards for renewable fuels. The decree establishes a deviation from the EC renewable fuels directive in Article 7, Paragraph 3 regarding maximum iodine content. The Spanish directive establishes a higher iodine limit, which facilitates the use of soy oil in the production of renewable diesel in Spain (please see SP5019). Fuel stability had been the issue, but there appears to be ample evidence that diesel made with a mixture of soybean and petroleum oil is stable.